



NEWS RELEASE

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FOR IMMEDIATE RELEASE

GLADSTONE BUSINESSMAN SENTENCED FOR DEFRAUDING INVESTORS

KANSAS CITY, Mo. – The U.S. Justice Department announced today that a Gladstone, Mo., businessman has been sentenced on mail fraud charges for cheating investors out of more than \$2.7 million.

Michael Ferrara, 48, of Gladstone, was sentenced on December 16, 2002, by U.S. District Judge Nanette K. Laughrey to five years and 11 months in prison without parole. The court also ordered **Michael Ferrara** to pay restitution to his victims in the amount of \$2,799,513.01.

The court ordered the restitution to be paid jointly and severally with his father, **Robert Ferrara**, 67. On October 2, 2002, **Robert Ferrara** was sentenced to 10 years and five months in prison without parole for his role in the fraud scheme.

On June 12, 2002, **Michael Ferrara** waived indictment and pleaded guilty to a two-count federal information. By pleading guilty, **Michael Ferrara** admitted that he and others devised a scheme to defraud others through a series of companies that sold business opportunities to the public between 1993 and 2001. Acting through companies such as C&C Sales, B&F Sales, F & F Distributors, Custom Champion Vending, Custom Champion Marketing, Custom Marketing, Millenium Marketing, Emily Water & Beverage Company and Emily Vending, **Michael Ferrara** engaged in the sale of franchises, business opportunities and business ventures by placing classified advertisements in newspapers across the United States, which listed a toll-free number for consumers to call.

According to the statement of facts incorporated in **Michael Ferrara's** guilty plea, more than 148 victims purchased business ventures, paying between \$1,700 and \$43,525 for vending machines or products and exclusive distributorships. By the time of sentencing, the government had identified 162 victims of the fraud scheme. **Michael Ferrara** admitted that he made and

caused others to make misrepresentations, false statements and omissions to encourage the sale of these franchises. Sales pitches, he admitted, promised many customers that they would earn a minimum profit or receive a refund of their investment. According to **Michael Ferrara's** plea agreement, however, customers who invested in these schemes did not receive what **Michael Ferrara** promised. Dozens of customers received nothing in return for their investment. Many customers who did receive the vending machines or products they purchased did not receive the promised locations for the machines. No customer made the promised minimum profits. Customers who became dissatisfied and demanded the guaranteed refund did not receive the refund.

According to the statement of facts, dissatisfied customers lodged complaints with the Better Business Bureau, their own state's attorney general's office or the Missouri Attorney General's office. Eventually, it became impossible for **Michael Ferrara** and his salespersons to make new sales because potential customers who checked with the Better Business Bureau or attorney general's offices learned that others had already been defrauded by the same company. **Michael Ferrara** and others would then obtain a new toll-free number, create a new company, place new classified advertisements, and start the process over again. **Michael Ferrara** admitted that closing companies and changing company names helped him avoid customer complaints and evade detection by authorities.

Count One of the information alleges that, while executing this scheme to defraud, **Michael Ferrara** caused a cashier's check for \$12,900 payable to Custom Champion Vending to be sent and delivered via Federal Express from an individual in South Carolina to Custom Champion Vending in North Kansas City, Mo., on July 27, 2000.

Count Two of the information alleges that, while executing this scheme to defraud, **Michael Ferrara** caused two cashier's checks for \$10,900 and \$5,000 payable to Custom Champion Vending to be sent and delivered via Federal Express from an individual in Oregon to Custom Champion Vending in North Kansas City, Mo., on June 6, 2000.

The case is being prosecuted by Department of Justice Trial Attorneys Joshua Drew and Amy Goldfrank (who replaced James Mitzelfeld). It was investigated by the Federal Bureau of Investigation, the Postal Inspection Service and the Internal Revenue Service.

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at

www.usdoj.gov/usao/mow